

Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 EA-07 ISO-00 CIAE-00 DODE-00 PM-05
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
SP-02 SS-15 USIA-06 AID-05 COME-00 EB-08 FRB-03
TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 FAA-00
DOTE-00 CU-04 INT-05 /116 W
-----126324 121830Z /44

R 121517Z AUG 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 8754
INFO AMEMBASSY BOGOTA
AMEMBASSY LISBON
AMEMBASSY SAN JOSE
AMEMBASSY TEGUCIGALPA
AMEMBASSY TOKYO
USCINCSO QUARRY HEIGHTS CZ
USCINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 8025

E.O. 11652: GDS
TAGS: PINS, EGEN, EFIN, EINV, SEDU, EAIR, VE
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 7763

SUMMARY: VENEZUELA UNDERTAKES NEW INTERNATIONAL FINANCIAL
COMMITMENTS. GOV PLANS TO FLOAT \$75 MILLION YEN DENOMINATED
BONDS NEXT YEAR. GOV DEFICIT FIGURES FOR FIRST HALF OF 1977.
ADDITIONAL CREDITS OF BS. 9 BILLION APPROVED FOR 1977 BUDGET.
INCREASING CONGESTION AT NATION'S AIRPORTS AND TWO AIRLINES
RECEIVE FINES FOR OVERBOOKING. GOVERNMENT SCHOLARSHIP PROGRAM
UNDER ATTACK BY OPPOSITION PARTY. "CUBANA AIRLINER" DEFENDANT
ORLANDO BOSCH TO APPEAR IN COURT NEXT WEEK ON DEFAMATION CHARGES.
END SUMMARY.

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1. NEW INTERNATIONAL FINANCIAL COMMITMENTS. THE GOVERNMENT
OF VENEZUELA HAS RECENTLY UNDERTAKEN SEVERAL NEW FINANCIAL
COMMITMENTS ABROAD, INCLUDING THE FOLLOWING:

-A \$13.5 MILLION CREDIT TO COSTA RICA TO HELP FINANCE
THAT COUNTRY'S FISHERIES DEVELOPMENT PROGRAM. WITH THIS
CREDIT, VENEZUELAN INVESTMENT FUND LOANS TO COSTA RICA TOTAL

BS. 34.6 MILLION.

-A SECOND CONTRIBUTION TO THE OPEC SPECIAL FUND. ACCORDING TO PRESS REPORTS THE CONTRIBUTION TOTALED \$112 MILLION, BRINGING THE TOTAL VENEZUELAN COMMITMENT TO THE SPECIAL FUND TO \$240 MILLION.

-ACCORDING TO PRESS REPORTS, VENEZUELAN PRESIDENT PEREZ ANNOUNCED IN BOGOTA LAST WEEK THAT VENEZUELA WAS PREPARED TO COMMIT AS MUCH AS \$100 MILLION TO THE PROPOSED INTERNATIONAL COFFEE FUND.

-VENEZUELAN INVESTMENT FUND PRESIDENT HURTADO PLANS TO VISIT LISBON THIS WEEK TO NEGOTIATE THE CONDITIONS FOR BALANCE OF PAYMENTS ASSISTANCE TO PORTUGAL. VENEZUELAN ASSISTANCE TO PORTUGAL IS EXPECTED TO BE APPROXIMATELY \$25 MILLION.

-VENEZUELA SIGNED A LOAN AGREEMENT FOR \$25 MILLION TO FINANCE FORESTRY DEVELOPMENT IN HONDURAS. THE PROJECT WILL BE ADMINISTERED BY THE INTERAMERICAN DEVELOPMENT BANK.

2. NEW \$75 MILLION BOND ISSUE ABROAD. ACCORDING TO MINISTRY OF FINANCE SOURCES, THE GOVERNMENT OF VENEZUELA IS PLANNING TO FLOAT APPROXIMATELY \$75 MILLION IN YEN DENOMINATED BONDS IN JAPAN SHORTLY AFTER THE BEGINNING OF 1978. THESE
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PLANS ARE SUBJECT TO THE APPROVAL OF THE GOVERNMENT OF JAPAN; MINISTRY OF FINANCE OFFICIALS EXPECT TO NEGOTIATE THE TIMING AND OTHER CONDITIONS OF THE BOND ISSUE WITH GOJ OFFICIALS IN THE NEAR FUTURE.

3. GOVERNMENT DEFICIT DURING FIRST HALF OF 1977. CENTRAL GOVERNMENT REVENUES DURING THE JANUARY-JUNE 1977 PERIOD TOTALED BS. 25.294 BILLION, BS 7 BILLION MORE THAN THE AMOUNT ESTIMATED IN THE 1977 BUDGET BILL, AND ALMOST BS. 8 BILLION MORE THAN THAT RECEIVED DURING THE SAME PERIOD IN 1976. OF THE BS 25 BILLION, BS. 19.452 BILLION WAS ORDINARY INCOME AND BS. 5.842 BILLION WAS EXTRAORDINARY INCOME. IN SPITE OF THE RECORD LEVEL OF INCOME, THE CENTRAL BANK REPORTED AN OVERALL DEFICIT OF BS. 132 MILLION DURING THE JANUARY-JUNE PERIOD.

4. 1977 BUDGET-BS. 9 BILLION IN ADDITIONAL CREDITS APPROVED TO DATE. ADDITIONAL CREDITS IN THE AMOUNT OF BS. 1149 MILLION WERE APPROVED DURING THE WEEK, BRINGING THE TOTAL FOR ADDITIONAL CREDITS APPROVED DURING 1977 TO OVER BS. 9 BILLION. THE NEW CREDITS INCLUDE:

-BS. 150 MILLION FOR THE MINISTRY OF TRANSPORTATION

AND COMMUNICATIONS

-BS. 500 MILLION FOR THE MINISTRY OF AGRICULTURE

-BS. 499 MILLION FOR THE MINISTRY OF EDUCATION

THE ADDITIONAL CREDITS BRING PROJECTED TOTAL CENTRAL GOVERNMENT
EXPENDITURES DURING 1977 TO APPROXIMATELY BS. 45 BILLION.

5. CONGESTION AT NATION'S AIRPORTS. VENEZUELA'S AIRPORTS
ARE BECOMING INCREASINGLY CONGESTED AS BOTH CARGO AND PASSENGERS
SWAMP AVAILABLE GROUND HANDLING AND AIRLINE CAPACITY. MINISTER
OF TRANSPORTATION AND COMMUNICATIONS VIVAS MADE A WELL
PUBLICIZED VISIT TO MAIQUETIA TO SURVEY THE SITUATION FIRST
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HAND. OVERBOOKING HAS BECOME A PROBLEM AND SCORES OF
PASSENGERS REPORTEDLY ARE TURNED AWAY DAILY WHO THOUGHT THEY
HAD CONFIRMED RESERVATIONS OUT OF THE COUNTRY. BOTH VIASA
AND AIR PANAMA HAVE BEEN FINED BS 20,000 FOR OVERBOOKING
FLIGHTS. AIR FREIGHT FACILITIES ARE ALSO HAVING PROBLEMS
AS IMPORTERS ATTEMPT TO AVOID VENEZUELA'S NOTORIOUSLY CONGESTED
PORTS. PAN AMERICAN REPORTS UP TO SIX WEEK DELAY IN AIR
FREIGHT SHIPMENTS TO CARACAS OUT OF MIAMI.

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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 8025

6. COPEI CRITICIZES GRAN MARISCAL DE AYACUCHO SCHOLARSHIP PROGRAM. CALLING FOR A CONGRESSIONAL INVESTIGATION, COPEI YOUTH LEADERS HAVE TAKEN TO ATTACKING THE MASSIVE GOVERNMENT SCHOLARSHIP PROGRAM-FUNDACION GRAN MARISCAL DE AYACUCHO (GMA). THE COPEYANITOS CLAIM THE PROGRAM HAS BEEN HAPHAZARDLY ADMINISTERED AND THAT MILLIONS OF BOLIVARS (BS. 900 MILLION) HAVE BEEN WASTED BY SENDING 9,000 STUDENTS TO STUDY ABROAD. ACCORDING TO THESE CRITICS, THE ILLS OF THE PROGRAM INCLUDE: POOR PAIRING OF NATIONAL HUMAN RESOURCE REQUIREMENTS WITH THE COURSE OF STUDIES THAT MANY STUDENTS FOLLOW ABROAD, THE LACK OF PREPARATION BY MANY SCHOLARSHIP RECIPIENTS FOR LIFE IN A FOREIGN COUNTRY, AND LAST BUT BY NO MEANS LEAST, A GMA BIAS WHICH AWARDS SCHOLARSHIPS TO AD PARTY MEMBERS. AS ITS ALTERNATIVE, COPEI ADVOCATES A REDUCTION OF THE FOREIGN STUDY PROGRAM AND INCREASED AID TO THE NATIONAL UNIVERSITY SYSTEM WHICH SUFFERS FROM OVERCROWDING AND POORLY QUALIFIED FACULTIES. CONFIDENTIAL

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MAS YOUTH JUMPED ON THE BANDWAGON WITH HARSH CRITICISM OF THE PROGRAM'S FISCAL ADMINISTRATION. THEY POINTED OUT THAT GMA HAS NEVER PUBLISHED A DETAILED RECORD OF ITS ACCOUNTS AND THAT GOV FUNDS HAVE BEEN MISHANDLED BY THE FOREIGN INSTITUTIONS THAT ADMINISTER THE PROGRAM OVERSEAS. AD YOUTH ARGUED FOR THE NECESSITY OF THE PROGRAM BY PRONOUNCING THE NATIONAL EDUCATIONAL SYSTEM INCAPABLE OF PROVIDING ADEQUATE TRAINING. THEY SAID THAT GMA CAN EASILY WITHSTAND AN INVESTIGATION AND THEY COUNTERCHARGED THAT THE CALDERA ERA SCHOLARSHIP PROGRAM SHOULD ALSO BE SCRUTINIZED. BOTH MINISTER OF CULTURE SALCEDO BASTARDO AND GMA HEAD, DR. RUTH LERNER DE ALMEA VIGOROUSLY DEFENDED THE EFFECTIVENESS AND ADMINISTRATION OF THE PROGRAM.

COMMENT: ALTHOUGH THE BASIC THRUST OF THE GMA PROGRAM IS SOUND THERE MAY HAVE BEEN SOME POLITICAL ABUSES AND THE PROGRAM ALSO SUFFERS FROM INCONSISTENT ADMINISTRATION. THUS, THERE IS PROBABLY SOME JUSTIFICATION FOR THE COPEI (AND OTHER OPPOSITION) CRITICISM. BUT, SUCH A VAST PROGRAM OF SCHOLARSHIPS WOULD BE SUSCEPTIBLE TO POLITICAL INFLUENCE AND ADMINISTRATIVE ABUSE NO MATTER WHAT POLITICAL PARTY WAS IN POWER. COPEI OFFICIALS HAVE PRIVATELY CRITICIZED THE PROGRAM TO US AND HAVE NOW DECIDED TO VOICE THEIR VIEWS PUBLICLY IN THE DEVELOPING POLITICAL CAMPAIGN. IT REMAINS TO BE SEEN WHETHER THIS THEME WILL FIND A SOLID RESONANCE IN THE

VENEZUELAN BODY POLITIC.

7. BOSCH TO APPEAR NEXT WEEK IN COURT ON DEFAMATION CHARGES. CARACAS PRESS REPORTS AUGUST 11 THAT THE EDITOR OF THE ENGLISH LANGUAGE "DAILY JOURNAL" AND THE TWO REPORTERS WHO INTERVIEWED ORLANDO BOSCH IN JULY (SEE CARACAS 7922) WILL APPEAR BEFORE A VENEZUELAN JUDGE AUGUST 12 TO FORMALLY TESTIFY IN THE CASE. BOSCH HIMSELF IS ALLEGEDLY SCHEDULED TO APPEAR IN COURT NEXT
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WEEK. BOSCH'S LAWYERS HAVE CHALLENGED THE COMPETENCE OF JUDGE ESTAVA MORENO TO HEAR THESE NEW CHARGES AGAINST BOSCH.

8. OTHER REPORTING THIS WEEK INCLUDED BIOGRAPHIC INFORMATION ON NEW CABINET MINISTERS (CARACAS 7799), PRESIDENT PEREZ PLANS BRING FURTHER CHARGE OF DEFAMATION AGAINST ORLANDO BOSCH (CARACAS 7922), PRESIDENT PEREZ' INITIAL REACTION TO BOGOTA SUMMIT (CARACAS 7831), ECONOMIC ALERT REPORT-(CARACAS 7816), LOS: CONVERSATION WITH ANDRES AGUILAR (CARACAS 7795), WORLD BANK/IMF ANNUAL MEETING (CARACAS 7944), AERONAUTICAL INDUSTRY PROJECTS (CARACAS 7912), MAJOR BAUXITE DISCOVERY REPORTED IN VENEZUELA (CARACAS A-109), AND MAJOR PROJECTS-PETROCHEMICALS (CARACAS 7676) AND HOUSING-GURI DAM (CARACAS 7944).
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Message Attributes

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TAGS: PINS, EGEN, EFIN, EINV, SEDU, EAIR, VE
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